



IMPACT OF GST ON RETAIL BUSINESS IN INDIA

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ABSTRACT

Many businesses in organized and unorganized segments have implemented GST which seems to improve Indian economy by implementing the practices of new tax which has overridden the present taxation system. Keeping this backdrop in mind, the paper addresses the broad perspective of GST in present scenario of retail business and the implementation of GST across product category in retail stores

KEYWORDS: GST, Retail, Business, Implementing.

INTRODUCTION:

The benefit of GST on retail sector will be huge. Indian Retail sector is one the fastest growing industry in the world. India is 5th largest retail destination in the world. The retail sector is booming everywhere be it metro cities or the Tier-II and tier-III cities. The Government of India has introduced major reforms to attract FDI in the retail industry. The government has approved up to 100 % FDI in single brand retail and 51% in the multi brand- retail. All of these stats signify that the retail sector is as dominant as ever and any reform in the country which anyhow affects the working of the sector shall have a huge impact on it. And GST is no ordinary tax reform. It is one of a kind reform which is poised to change the scenario of taxation in the country and legitimately its effects on the retail industry must be considered.

The Goods and Services Tax (GST) launched on 1st July 2017 in India has more or less impacted every major and minor business sector in the country. While some industries are seeing growth as a result of decreased taxes, some others are facing a decrease in sales because of increased taxes.

Retail is one of the major industries in India and also one of the largest in the world. The Indian retail industry is expected to reach 1.3 trillion USD bIn y 2020 at a compound annual growth rate of 16.7%. GST is, as usual, applicable to almost every retail supply, affecting the cost for the end consumers. Let's find out the details about the impact of GST on retailers.

GST streamlines previous policies and taxation under one head. GST enables frictionless carry business activities expandable easily across the nation. However, there are a few grievances of the taxpayers which the GST Council, as well as the Central Government, needs to immediately address. Only if the below points are taken into account with an iron hand can GST be the success.

Introduction of GST has merged both centre and state tax into a unified tax system across nation. This new tax regime which has cascading effects on the economy which seems to be testing time for India for ease of business in the supply chain systems. GST has become buzzword across the nation, which has created a sense of transformation of businesses yet to get clarity in various sectors. In retail industry, business has undergone dramatic changes both in organized and unorganized retailing in Tier-I cities and Tier-II cities of India. As it is highly fragmented in nature, the country is going to experiment with Goods and Services Tax with new tax regime which has cascading effects on the economy. In this context, Retailers are facing challenges in terms of handling merchandise across categories which in turn has effect on their bottom line of business.

After introduction of GST, the availability of real estate in terms of location and sizes has been a challenge for retailers as it is understood that lease rentals in marquee areas in stores command a high premium price and have adversely impacted the retailers' prevailing thin margins and break even is affected. In broader sense, poorly developed infrastructure in the domain of supply chain management, warehousing and electrical and electronic equipments in small cities is a big hurdle for retailers ought to tackle the issues.

REVIEW OF RELATED LITERATURES :

Review of related literature makes the investigator fully aware with the previous work that has been done. It also provides an opportunity of gaining insight into the method, measures, subject and approaches employed by the other researchers. A careful review of research, journals, books, dissertations, thesis and other sources of information about the problem to be investigated is one of the important steps in the planning of any research studied.

Khan M and Shadab (2012) have mentioned that the significance of Products and Services Tax in India and its prospects to have healthy competition in present situation and suggests that it brings transparency in taxation and addresses global perspectives at each state of India However,

Mukherjee, S. (2015) there are dark side of cascading effects of tax regime. Further, study has discussed on implications with the current taxation with State and Central Government with concurrent effects of taxation. Broadly, it is classified into two heads namely GST Design and Structure and GST Administration and Institutional. There are several challenges faced by Government in order to resolve issues on Tax administration between Central and State across state tax. Finally, the paper addresses the broader perspective of proposed GST regime.

Nitin Kumar (2014) indicates that the implementation of GST in India would help to remove economic disruption prevailing indirect tax system which is unbiased tax structure which is different from geographical locations.

Pradeep Chaurasia et al (2016) have mentioned that in India, the unified tax system will take the form of a Dual GST to be levied both by centre and state government. Further, study concludes that there is improvement in Indian economy in terms of Gross Domestic Product though GST is in nascent stage. Many academic literatures indicate that in India, GST is tax on Goods and Services with set of benefits from marketing channel from manufacturer to retail chain Further, it is tax levied at each stage of business which is set to integration of tax at state level to boost overall growth of Nation.

METHODOLOGY:

The study is exploratory in nature and secondary data was collected through available literatures in Books, journals, market research agencies and search engines .

OBJECTIVES OF THE STUDY :

To study the Impact of GST on business in India.

Challenges for Business:

Post GST has made industries in India to face big challenges to switch over to the new tax regime to be implemented. Broadly, there are several challenges given below that gives brief idea to the business fraternity across the nation to be aware of GST tax regime.

- It is found through the study that there are various changes taking place in administration at state and central government level.
- Implementing GST has given new shape to the taxation system as well as economy of India which is commonly known as Unified Taxation system which has several adjustments to be done to the existing tax regime
- It is understood from the various literatures that GST being consumption based tax system, the respective states in India with higher consumption of Products and Services can lead to better returns or profits.
- Indian business systems have to face huge transformation of businesses across different verticals.
- It is testing time or trial for many organizations as GST implementation comprises of Multiple channels starting from Manufacturers to wholesalers to distributors, retailers and then to consumers. In this context, it takes time to understand the entire system as it is introduced newly and overridden the

existing Tax regime in India.

- As India is transforming to Digital Business, it is big challenge for the Government at State level and Central level to integrate the Information Technology infrastructure with the businesses across industries. This takes enormous time and understanding the existing business and migrating to e-business as many current businesses are yet non-digital in nature.

Benefits of GST for Businesses:

With the introduction of GST in India, there is an adverse effect which has resulted in inconvenience for the customers though there is lot of benefit in long term gains of business. It is noteworthy to mention that customers can get rid of indirect taxes such as Value added Tax, Central Sales Tax, Service Tax and excise taxes etc., which has resulted in simplified tax policy in India. In this line, the changes are reflected in various product categories as presented in Table 1.

The following are the benefits seen in the retail business.

- It eradicates cascading effects of taxes i.e., tax on tax.
- Due to decrease of burden of taxes on manufacturing, the prices may be decreased.
- The increased manufacturing activity will result in more opportunities if consumers have affordability in buying products.
- The whole Indian marketplace can be unified which may result in decrease of business costs.
- It can help seamless movement of products throughout states which helps in decreasing the transaction charges of enterprises.
- Due to GST, there is wide scope for E-commerce to penetrate the market.
- GST helps in ease of doing business and elevate scalability of business

CONCLUSION:

There are many more advantages of GST on retail sector under the new GST laws and it would be a great boost for the retail sector as the policies and taxation would be streamlines under one head. The businesses would flourish more contributing to the growth of the retail industry and in turn of the economy as they would be able to carry out the activities without any hindrances, more freely, and be able to expand the business into different states without worrying about the additional costs. The supply chain will benefit tremendously as the cost of transport and warehousing will reduce under the new GST laws and help the retailers scale their profits, which could also lead to reduced prices for the final consumer over a period of time. The retailer can directly pay the taxes online and will not have to go through a middleman. The impact of GST on retail sector that GST has laid the path for a more organized and transparent retail sector for budding, small and big players alike. The loopholes are the technical glitches of GSTN Network and taxpayers' non-compliance. As GST is being implemented in India, it becomes necessary for the organizations to understand the benefits and thrive hard to execute their businesses with various price-tax equations which has undergone severe changes both positively and negatively. Having this background in mind, the following are list of sectors which have undergone gains and loss after implementation of GST. It can be concluded from the study that there is a transition of current taxation system into unified taxation system across the nation. Its effect has been felt by every Indian as it is reflected in the retail business throughout different states of India. The paper briefs about the benefits of GST and the various aspects involved in implementing the GST in supply chain i.e., Manufacturer to consumer.

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